United Nations E/ICEF/2007/AB/L.9

Economic and Social Council

Distr.: Limited
8 August 2007

Original: English

For information

United Nations Children's Fund
Executive Board
Second regular session 2007
5-7 September 2007
Item 11 of the provisional agenda*

Response to address key and recurrent audit findings and audit findings that remained unresolved for more than 18 months**

Introduction

1. This report is submitted in response to decision 2006/18, which requests that UNICEF respond to the key and recurring issues identified in the annual report of the Office of Internal Audit (OIA).

2. The next section of this report gives an overview of the response of management to the summary of key and recurrent findings (see section IV of the report on internal audit activities in 2006 (E/ICEF/2007/AB/L.8)).

Actions being taken for key and recurrent findings

3. The overarching cause for delayed actions on audit recommendations and observations has been the lack of clear institutional accountability for such follow up, compounded by lack of clear understanding at headquarter and regional levels on where governance, accountabilities, oversight responsibilities and reporting obligations lie.

4. Within a highly decentralized organization the division of accountabilities and responsibilities between headquarters, regional offices, and country offices needs further clarification to ensure a more efficient response and action on audit recommendations.

5. UNICEF is aware of these shortcomings and is in the process of addressing them, mainly in the context of the organizational review and the biennium budget, but through others means as well.

* E/ICEF/2007/13.

** This document was submitted late because of the need for internal consultations.

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6. Regarding recurrent audit findings UNICEF is aware that despite improvements there is still a significant number of country offices that do not meet the full range of UNICEF's defined management standards in core areas such as finance, programme management, supply assistance and the implementation of prior audit recommendations. UNICEF management agrees that significant additional effort is required to address consistently poor ratings. As a means to improve organizational performance UNICEF will support consolidation and communication of guidance related to financial controls and basic programme management practices, increase global awareness of country office performance through improved monitoring by regional offices and headquarters, and emphasize attention to skills development.

7. In summary, UNICEF will act to ensure information about existing audit findings is disseminated as early as possible to incoming senior staff when changes at headquarters and regional offices occur.

Actions being taken to address audit findings that remained unresolved for more than 18 months

8. The following response refers specifically to the observations that have remained unresolved for more than 18 months as of June 2007 (see annex 2 of the report on internal audit activities in 2006 (E/ICEF/2007/AB/L.8).

Summary report on programme management controls (2002)

9. **The Americas and Caribbean Regional Office** (TACRO). With the recent appointment of a Monitoring and Evaluation officer and the allocation of additional resources in its budget planning for proper assessment of the quality of the project plan of action and annual work plans for each country, TACRO expects to make progress in addressing outstanding recommendations and observations. Documentation on the steps that are being taking to ensure that the country management teams meet minimum standards will be provided as a priority. TACRO has also taken steps to bring its training into line with the new organizational standards and will provide substantiation of this to the OIA.

10. **Eastern and Southern Africa Regional Office** (ESARO). Some of the outstanding observations for ESARO are the result of inadequate capacity to close them. Other recommendations were implemented, but inadequately reported. Over the past five years, the senior staff members of ESARO have entirely changed, and some posts had two or more incumbents during this period. ESARO has in June 2007 provided responses to all recommendations, and is awaiting OIA feedback as to which recommendations are closed based on the reported actions.

11. **West and Central Africa Regional Office** (WCARO). Following delays in responding to audit recommendations mostly due to the disruptions caused by emergency relocation of the regional office and an abnormally high rate of turnover in several senior management posts, urgent action is being implemented to address the outstanding 2002 audit findings. Office management plans include proper allocations of staff time to address audit findings and clear lines of responsibility for doing so.

12. The **Evaluation Office** is systematically tracking evaluation reports and assessing their quality. Tracking of the evaluation plans prepared by country offices, regional offices, and headquarters is taking place. Actual tracking of the use of evaluation data in programme planning and implementation goes well beyond the work of evaluation, and the Evaluation Office is discussing ways to improve the quality of the evaluations and to ensure that the results are used in planning with the Programme Division. The Evaluation Office is also engaged in discussions with the OIA on the action needed to close this observation.

Audit of procurement processes and controls (2004)

13. Three of the outstanding observations have to do with guidance on procurement including low-value contracting conducted by headquarters. On these observations, Supply Division has now organized improved staff training. The processes of reviewing headquarter procurement processes was delayed but is now completed and administrative gaps resulting from a high rate of staff changes that delayed the finalization of new guidelines until the end of 2007 have now been overcome.

14. Suggestions from the OIA, addressed to the Division of Financial and Administrative Management, Supply Division and Information Technology Division, that control be established so that procurement actions do not exceed their authority, were unexpectedly complex to apply in practice. Supply Division is leading its development and an inter-divisional agreement has been reached on implementation of the recommendations.

15. A final outstanding observation in this area relates to the need to manually prepare duplicate contract documentation for special service agreements, which can lead to errors. A proposal has been prepared to take the necessary action, and it will move ahead as soon as funds are available in the new biennium.

Audit of the management of internal performance information in headquarters divisions (2005)

16. A number of observations linked to management performance, accountability and reporting were addressed to the Office of the Executive Director (OED). The OED held discussions with the OIA at which it was concluded in late 2006 that these observations would best be addressed in the context of the organizational review.

17. The report of the organizational review confirmed a lack of adequate coherence between headquarters and the field. It has recommended improving cross-regional coherence, and the establishment of a dedicated Field Support Unit in OED to act as the first "port of call" for regional offices and to provide the needed coordination and oversight. This unit would also assist the Executive Director in the performance assessment of the Regional Directors.

18. The organizational review also recommended that, once improved management structures are in place, UNICEF should redefine, communicate, and implement accountabilities for the global organization. The current accountability

documents will be revisited and updated to capture the implications and nuances of the proposed strategic shifts.

19. The formulation of this new accountability framework will be finalized on the basis of the recommendations of the organizational review as part of the management response to that review.

20. Another outstanding observation in this area had to do with limitations and inconsistencies in performance-related policies, guidance and terminology. This is an area in which UNICEF works very closely with partners in the United Nations system, both at global and at country levels. The programming processes have become increasingly harmonized among the agencies. UNICEF has needed to ensure that its own guidance does not pre-empt the decisions made by the United Nations Development Group Executive Committee agencies.

21. A more comprehensive effort is nevertheless needed to ensure consistency across guidance and support materials on developing and using performance indicators. This continues to be done with a set of materials which will be ready by the end of 2007, and will be fully reflective of the work of the United Nations Interagency Working Group on Programming Policy on results-based management.

22. Linked to this, training materials were limited for headquarters on setting priorities and results, performance targets and indicators. Preparation of training materials for headquarters divisions depended on the completion of the system-wide business processes review. In addition, the planning guidelines for the 2008-2009 biennium have been simplified considerably and the reviews of budgets have also been significantly modified. For immediate needs, a practical approach of one-on-one guidance with various divisions and regional offices was adopted. In light of these changes, it was not appropriate to introduce new training material. Training materials will be developed as needed for future biennia, and will be modified based on the current experience.

Outstanding observations made to country offices

23. In **Senegal**, the delay in the development of a comprehensive office training plan has been noted. Action is being taken to address this through enhanced staffing. Other observations had to do with weaknesses in the procedures for cash assistance, both for requests for assistance and with liquidations. The office has advised that its preference is to wait for the introduction of the new Harmonised Approach to Cash Transfers (HACT), rather than introduce an interim set of procedures (principally request and reporting forms) that would have had to be amended, thereby requiring additional training for partners. Original estimates for the full launching of HACT procedures have proven overly optimistic, as the United Nations agencies have had to deal separately with a variety of ministries, and there were delays in the studies on which the new system will be based.

24. In **Yemen**, there are a number of outstanding observations and recommendations linked to supply issues. The new representative, who arrived in November 2006, is currently implementing actions to address the observations.